TUNGTEX (HOLDINGS) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00518)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED MARCH 31, 2007

FINANCIAL HIGHLIGHTS

1. Group turnover increased by 15.3% to HK$2,276 million
2. Profit attributable to equity holders of the Company rose by 24.2% to HK$90 million
3. Profit attributable to equity holders of the Company as a percentage of turnover improved 0.3% point to 4.0%
4. Net cash remained at a healthy level of HK$93 million
5. The Board of Directors has proposed a final dividend of HK12.5 cents per share

RESULTS

The Board of Directors is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended March 31, 2007 (the "year") are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended March 31, 2007

	Notes	**2007** **HK$'000**	2006 *HK$'000*
Revenue	*2*	**2,276,176**	1,974,483
Cost of sales		**(1,760,161)**	(1,500,937)
Gross profit		**516,015**	473,546
Other income		**8,096**	5,999
Increase in fair value of investment properties		**17,932**	17,594
Selling and distribution costs		**(102,777)**	(106,020)
Administrative expenses		**(277,692)**	(270,106)
Finance costs		**(5,736)**	(3,742)
Share of results of associates		**184**	975
Profit before tax	*3*	**156,022**	118,246
Income tax expense	*4*	**(49,910)**	(32,828)
Profit for the year		**106,112**	85,418
Attributable to:			
Equity holders of the Company		**89,913**	72,393
Minority interests		**16,199**	13,025
		106,112	85,418
Dividends	*5*	**61,624**	68,667
		HK cents	*HK cents*
Earnings per share	*6*		
– Basic		**25.5**	20.6
– Diluted		**25.5**	N/A

CONSOLIDATED BALANCE SHEET

At March 31, 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Investment properties		**68,284**	55,552
Property, plant and equipment		**132,382**	134,857
Prepaid lease payments		**27,230**	27,928
Intangible asset		**398**	471
Interests in associates		**7,919**	7,347
Available-for-sale investments		**–**	1,430
Deferred tax assets		**1,031**	861
		237,244	228,446
Current assets			
Inventories		**231,799**	237,958
Trade and other receivables	*7*	**374,818**	308,978
Prepaid lease payments		**731**	730
Amounts due from associates		**5,231**	735
Tax recoverable		**2,123**	2,252
Pledged bank deposits		**262**	235
Bank balances and cash		**179,637**	148,019
		794,601	698,907
Current liabilities			
Trade and other payables	*8*	**329,334**	308,201
Amount due to an associate		**–**	3,332
Tax liabilities		**35,467**	16,286
Obligations under finance leases – due within one year		**305**	147
Bank borrowings		**86,186**	54,167
		451,292	382,133
Net current assets		**343,309**	316,774
Total assets less current liabilities		**580,553**	545,220
Non-current liabilities			
Obligations under finance leases-due after one year		**344**	119
Deferred tax liabilities		**14,281**	12,000
		14,625	12,119
		565,928	533,101
Capital and reserves			
Share capital		**70,428**	70,428
Reserves		**436,773**	406,631
Equity attributable to equity holders of the Company		**507,201**	477,059
Minority interests		**58,727**	56,042
		565,928	533,101

Notes:

1. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after December 1, 2005 or January 1, 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group and of the Company.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-INT 8	Scope of HKFRS 2[3]
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-INT 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-INT 11	HKFRS 2 – Group and Treasury Share Transactions[6]
HK(IFRIC)-INT 12	Service Concession Arrangements[7]

[1] Effective for annual periods beginning on or after January 1, 2007
[2] Effective for annual periods beginning on or after January 1, 2009
[3] Effective for annual periods beginning on or after May 1, 2006
[4] Effective for annual periods beginning on or after June 1, 2006
[5] Effective for annual periods beginning on or after November 1, 2006
[6] Effective for annual periods beginning on or after March 1, 2007
[7] Effective for annual periods beginning on or after January 1, 2008

2. Segment information

Business segments

The Group is principally engaged in the manufacture and sale of garments. Accordingly, no business segment analysis of financial information is provided.

Geographical segments

The Group's manufacture and sale of garments business is principally located in the United States of America ("USA"), Canada, Asia and Europe and others.

The Group reports its primary segment information on geographical location of its customers and the segment information about these geographical markets is presented below:

For the year ended March 31, 2007:

	USA *HK$'000*	**Canada** *HK$'000*	**Asia** *HK$'000*	**Europe and others** *HK$'000*	**Consolidated** *HK$'000*
REVENUE					
Sales of goods – external	**1,993,895**	**30,109**	**140,408**	**111,764**	**2,276,176**
SEGMENT RESULTS	**158,950**	**1,944**	**5,311**	**12,684**	**178,889**
Unallocated corporate income					**26,028**
Unallocated corporate expense					**(49,079)**
Share of results of associates	**109**	**7**	**61**	**7**	**184**
Profit before tax					**156,022**
Income tax expense					**(49,910)**
Profit for the year					**106,112**

For the year ended March 31, 2006:

	USA *HK$'000*	Canada *HK$'000*	Asia *HK$'000*	Europe and others *HK$'000*	Consolidated *HK$'000*
REVENUE					
Sales of goods – external	1,723,583	24,395	130,319	96,186	1,974,483
SEGMENT RESULTS	122,655	1,134	(940)	10,624	133,473
Unallocated corporate income					23,593
Unallocated corporate expense					(39,795)
Share of results of associates	673	30	251	21	975
Profit before tax					118,246
Income tax expense					(32,828)
Profit for the year					85,418

3. Profit before tax

	2007	2006
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging (crediting):		
Employee benefits expense, including those of directors:		
Salaries, allowances and bonus	**355,551**	321,580
Contributions to retirement benefit schemes	**7,756**	7,415
Share-based payment expense	**107**	–
Total employee benefits expense	**363,414**	328,995
Amortisation of intangible assets (included in cost of sales)	**73**	73
Amortisation of prepaid lease payments	**731**	730
Auditor's remuneration	**2,113**	1,379
Cost of inventories recognised as an expense	**1,758,179**	1,501,666
Depreciation of property, plant and equipment	**27,873**	26,982
Impairment (reversal of impairment) of inventories *(note)*	**1,909**	(802)
Loss on disposal of available-for-sale investments	**–**	16
Loss on disposal of property, plant and equipment	**198**	350
Share of tax of associates (included in share of results of associates)	**66**	185

Note: A reversal of impairment was recognised as the impaired inventories were sold during the year ended March 31, 2006.

4. Income tax expense

	2007	2006
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**16,498**	15,379
People's Republic of China, other than Hong Kong (the "PRC")	**1,972**	357
Other jurisdictions	**10,869**	3,826
	29,339	19,562
Underprovision in prior years	**18,460**	9,952
	47,799	29,514
Deferred tax	**2,111**	3,314
	49,910	32,828

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profit for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC enterprise income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. Two (2006: One) of the subsidiaries of the Company is subject to PRC enterprise income tax at rate with a 50% reduction during the year.

Two subsidiaries of the Company received protective/additional profits tax assessment from Inland Revenue Department (the "IRD") of approximately HK$1.9 million and HK$23.1 million, respectively, relating to the years of assessment 1998/99 to 2005/06, that is, for the financial years ended March 31, 1999 to 2006. The protective/additional profits tax assessment relates mainly to the subsidiaries' income derived from their manufacturing operations in the PRC. The subsidiaries lodged objections with the IRD and the IRD agreed to holdover the tax claimed subject to tax reserve certificates in the amount of HK$25 million being purchased by the subsidiaries. In respect of the protective/additional profits tax assessment for the years of assessment 1998/99 to 2005/06, a provision of HK$16.5 million has been provided during the year.

In the opinion of the directors and the advice from the Group's tax advisors, the subsidiaries' income derived from their manufacturing activities in the PRC is not arising in or derived from Hong Kong, and that sufficient tax provision has been made in the accounts in this regard.

On March 31, 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT law"). The new CIT law unifies the corporate income tax rate to 25% with effect from January 1, 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profits. As at the date of these income statements, details measures concerning these items have yet to be issued by the State Council.

5. Dividends

	2007	2006
	HK$'000	*HK$'000*
Interim dividends paid in respect of year ended:		
– March 31, 2007 (HK6.0 cents per share)	**21,128**	–
– March 31, 2006 (HK5.5 cents per share)	**–**	19,368
Final dividends paid in respect of year ended:		
– March 31, 2006 (HK11.5 cents per share)	**40,496**	–
– March 31, 2005 (HK14.0 cents per share)	**–**	49,299
	61,624	68,667

The final dividend of HK12.5 cents per share for the year ended March 31, 2007 has been proposed by the directors and is subject to approval by the shareholders in general meeting.

6. Earnings per share

The calculation of the basic and diluted earnings per share attributable to equity holders of Company is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company	**89,913**	72,393

	2007	2006
Weighted average number of ordinary shares for the purposes of basic earnings per share	**352,137,298**	352,137,298
Effect of dilutive potential ordinary shares in respect of share options	**576,532**	
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**352,713,830**	

For the year ended March 31, 2006, no diluted earning per share was presented because there were no dilutive potential ordinary share in issue for that year.

7. Trade and other receivables

The Group allows a credit period ranging from 30 days to 90 days to its trade customers, with a significant portion of 30 days. Included in trade and other receivables are trade receivables, mainly denominated in United States Dollars, with the following aged analysis:

	2007	2006
	HK$'000	*HK$'000*
Up to 30 days	**208,437**	191,863
31 – 60 days	**55,189**	43,201
61 – 90 days	**21,211**	6,853
More than 90 days	**1,083**	–
	285,920	241,917

8. Trade and other payables

Included in trade and other payables are trade payables with the following aged analysis:

	2007	2006
	HK$'000	*HK$'000*
Up to 30 days	**113,985**	125,950
31 – 60 days	**87,962**	65,218
61 – 90 days	**14,015**	25,081
More than 90 days	**13,541**	9,536
	229,503	225,785

9. Capital commitments

At the balance sheet date, the Group had capital expenditure committed as follows:

	2007	2006
	HK$'000	*HK$'000*
Contracted but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	**144**	221

10. Pledge of assets

At the balance sheet date, the followings have been pledged to banks to secure general banking facilities granted to the Group:

	2007	2006
	HK$'000	*HK$'000*
Prepaid lease payments	**11,873**	12,009
Investment properties	**15,254**	11,000
Buildings	**3,920**	4,670
Pledged bank deposits	**262**	235

FINAL DIVIDEND

The Board of Directors has resolved to recommend at the forthcoming Annual General Meeting a final dividend of HK12.5 cents per share (2006: HK11.5 cents per share), payable on September 7, 2007 to shareholders whose names appear on the Register of Members on August 31, 2007. Together with an interim dividend of HK6.0 cents per share (2006: interim dividend HK5.5 cents per share), the total dividends for the year will be HK18.5 cents per share (2006: HK17.0 cents per share).

The Register of Members will be closed from August 27, 2007 to August 31, 2007, both days inclusive, during which no share transfer will be effected. To qualify for the final dividend, transfers must be lodged with the Company's Registrar, Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on August 24, 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of operating results

During the year under review, the order flow was stable and the business environment was generally favorable as compared to the previous year. However, the momentum was to a certain extent impacted by the uncertainty of the U.S. economy in the second half year when the economic indicators did not consistently inspire market confidence. That said, with the dedication of our teams, we achieved 15.3% growth in annual sales which amounted to HK$2,276 million. While gross profit margin came down slightly as a result of price pressure, we have diluted the impact by managing down the selling expenses and administrative expenses to a lower percentage of sales. The cost structure of our core business remained healthy.

The Group's Mainland China retail business and the USA wholesale label business were both getting back on track following a series of overhaul measures. While the turnover of these two lines of business remained insignificant on the Group level, they were moving towards a better shape.

For the fiscal year ended March 31, 2007, profit before tax increased by 32.0% to HK$156 million. Profit attributable to equity holders of the Company and earnings per share grew by 24.2% to HK$90 million and HK25.5 cents respectively. Return on average equity increased from 15.3% to 18.3%.

Business review

Manufacture and export business

The Group's manufacture and export business benefited from the resumption of buying confidence and stable order flow this year. To cater for the growing orders and the diverse demand of overseas buyers, we expanded our production capacity in China and in certain Asian countries during the year. Meanwhile, we also strengthened our R&D functions and conducted workflow refinement projects with an aim to provide comprehensive and quick solutions to our buyers. As a result, we managed to grow our turnover by 15.3% on a full year basis.

In terms of geographical distribution, the sales to North America grew by 16% to HK$2,024 million, which accounted for 89% of the Group's turnover. The export sales to Europe and other markets also achieved 16% growth to HK$112 million, representing about 5% of the turnover of the Group.

USA wholesale label business

Business performance of the USA wholesale label business continued to improve following a series of revitalizing measures. The market response to our strengthened product design and market positioning of "Zelda" brand was satisfactory. This line of business has become profit contributing although the absolute figure was insignificant.

Mainland China retail business

Our strategy of focusing on "Betu" brand continued to be working well despite the stiff competition. Enhanced products design and products flow allowed quicker response to the consumers' needs. The development into second and third-tier cities via franchisee program was also effective in spreading market presence. All these were contributing to the encouraging improvement in result during the year under review.

At the fiscal year end date, there were 83 "Betu" shops across Mainland China. Total retail sales amount in Mainland China for the year was slightly lower than last year's and accounted for approx. 4% of the Group's turnover.

Prospects

The key challenges for the garment industry ahead would be how to stay highly cost-competitive and how to achieve better value along the value chain. The persistently growing costs in China and Asian countries are constant drive for lifting productivity, not to mention the price pressure from market. In response, we have been implanting the lean concept at all levels and all functions in order to get rid of wastage and redundancy. Low value but essential processes are flowing to the low cost regions and will eventually be replaced by process integration and reengineering.

Apart from cost-effectiveness, maximizing the value to buyers is equally crucial. We are putting enormous emphasis on adding extra value along the business cycle, from product development to delivery. We strive to start customized service to our buyers at the very early stage of their buying process in order to enrich their buying experience and to cement the partnering relationship. We vigorously review our production flow to ensure shortest lead time is required for first-class products, which is vital for our buyers catching retail seasons. Our logistic flow has also been streamlined to make prompt and certain delivery possible.

Regarding marketing strategy, we will not be complacent with the healthy growth of our sales to the U.S. market. We are proactively exploring the opportunities in the Europe market where we have been stepping up our marketing effort. This is consonant with the trend of globalization for all parties along the value chain as well.

As for Mainland China retail business, we are delighted to see remarkable improvement in business momentum and we expect the trend to continue. In spite of the fierce competition in the market, our effort in strengthening the brand image and product design started to bear fruit as evidenced by growing customer receptiveness. The introduction of franchisee program earlier this year was also proven to be an effective strategy to spread our presence quickly and economically in the second and third-tier cities. As at the report date, there are 91 "Betu" shops in Mainland China.

As regards the USA wholesale label business, "Zelda" brand has been back to a profitable state while the absolute amount of the contribution remained small. With the key operating areas rationalized in the past few years, and that the management team was further strengthened, greater momentum is envisioned in the foreseeable future.

In conclusion, building on the group's solid foundation in the industry and on the effort we made in the recent periods in turning around the underperforming areas, we are fully confident in going from strength to strength in future. With respect to the business outlook for the fiscal year 2007/2008, we are prudently optimistic based on the current evaluation.

CAPITAL EXPENDITURE

During the year, the Group has incurred HK$23.5 million capital expenditure (2006: HK$24 million). It mainly represented regular replacement and small scale expansion in production capacity.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained solid and benign. As at the balance sheet date, the Group's cash level was recorded at HK$180 million as compared to HK$148 million of last year. Most of the cash balance was placed in USD and HKD short-term deposits with major banks in HK. Total bank borrowings of HK$86 million included HK$20 million discounted export bills. The remaining balance comprised trust receipt loans, bank overdraft and short-term loans. The borrowings were mainly denominated in USD and HKD and the total bank borrowings represented 17% of the shareholders' funds at the year end date. With the net cash balance of HK$93 million and abundant banking facilities available, the Group has sufficient liquidity and financial resources to meet the operational and investment needs.

Working capital cycle continued to be under stringent control. Inventory turnover shortened from last year's 44 days to 37 days. Trade receivable turnover of this year was 46 days, 1 day longer than last year. Current ratio and quick ratio were stable at 1.8 and 1.2 respectively, as compared to the last year's 1.8 and 1.2.

As at March 31, 2007, certain land and buildings with an aggregate net book value of approximately HK$16 million (2006: HK$17 million) and certain investment properties with an aggregate carrying value of approximately HK$15 million (2006: HK$11 million) as well as bank deposits of HK$0.3 million (2006: HK$0.2 million) were pledged to banks to secure general banking facilities granted to the Group. No additional tangible security was given to banks during the year.

TREASURY POLICY

The Group continued to adopt prudent policies to hedge exchange rate and interest rate risks associated with our core business. It is our Group's policy not to engage in speculative activities. The majority of our export sales are denominated in USD while a tiny portion destined for the European markets is denominated in EURO. The Group entered into a limited number of forward contracts to hedge the risks as deemed appropriate. Our Mainland China retail business provided a natural hedge for our RMB expense to a certain extent.

HUMAN RESOURCES

We see our employees the most important asset of the Group, and the core element of our continued success. Building a strong and coherent team has always been our management priority. We incentivize our outstanding employees on performance-linked basis in order to ensure their interests are aligned with that of the Group. To this end, a share option scheme was introduced during the year. Meanwhile, through offering job satisfaction and empowerment, we aim to instill in all our employees a sense of ownership of the corporate goals.

As at March 31, 2007, the Group had approximately 9,800 employees globally, as compared to 9,400 as at March 31, 2006. The increase was mainly production workers for factories in China and Asian countries.

The Group puts high emphasis on human resource management. We strive to attract and retain talented people in the industry by offering career development opportunities and competitive remuneration package with reference to the market practice.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, there was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the audited financial statements.

CORPORATE GOVERNANCE

The Company complied with all requirements set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the review year.

MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

PUBLICATION OF FINAL RESULTS AND REPORT

This results announcement is published on the Company's websites (http://www.tungtex.com) and the Stock Exchange's website (http://www.hkex.com.hk). The final report containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the same websites in due course.

Benson Tung Wah Wing
Chairman

Hong Kong, July 11, 2007

The directors of the Company as at the date of this announcement are Mr. Benson Tung Wah Wing (Chairman), Mr. Alan Lam Yiu On (Managing Director) and Mr. Raymond Tung Wai Man as Executive Directors; Mr. Tung Siu Wing and Mr. Kevin Lee Kwok Bun as Non-Executive Directors; and Mr. Johnny Chang Tak Cheung, Mr. Tony Chang Chung Kay, Mr. Joseph Wong King Lam and Mr. Robert Yau Ming Kim as Independent Non-Executive Directors.